Pearson College Limited
Registered Number : 07967446

Annual Report and Financial Statements
For the Year Ended : 31 December 2016

Registered address :
80 Strand, London WC2R 0RL

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Pearson College Limited (the 'company') for the year ended 31 December 2016.

The company has taken exemption from preparing a Strategic Report in accordance with s414B of the Companies Act 2006 relating to small companies.

Future developments
The company's strategic aim is to achieve degree awarding powers, university title and become the leading company for university for industry engagement in the sector.

Through the acquisition of Escape Studios Limited, the company has launched a series of creative subjects such as Visual Effects and Games Animation with the aim of achieving further growth.

On 1 June 2017, the assets and liabilities, including the post graduate activities of Escape Studios Limited were transferred to the company with a view to further integrate and spearhead the company's online delivery capability. Further details of this transaction are contained within note 17.

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Pearson plc. The directors have received confirmation that Pearson plc intends to support the company for the foreseeable future after these financial statements are signed. The company is forecasted to be profitable in the medium term.

Dividends
In accordance with the company's articles of association, no dividends will be paid. Therefore the directors have not recommended a dividend be paid for the financial period ended 31 December 2016 (2015: £Nil)

Directors
The directors who held office during the year and up to the date of signing the financial statements are given below :
P Williams (resigned 15 July 2016)
K Bristow (resigned 10 July 2017)
C Scobie (resigned 8 August 2016)
C Sheret (resigned 1 June 2017)
R L Allan (appointed 1 August 2016 and resigned 1 June 2017)
R S Farwell (appointed 1 June 2017)
N J Hill (appointed 1 June 2017)
S Jackson (appointed 1 June 2017)
S MacDonald (appointed 1 June 2017)
P A McGowan (appointed 1 June 2017)
A C Morrison (appointed 1 June 2017)
A S J Moss (appointed 1 June 2017)
I J Palmer (appointed 1 June 2017)
R T Stockwell (appointed 1 June 2017)

Qualifying third party indemnity provisions and liability insurance
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors and officers.

Financial risk management
From the perspective of the company, financial risk management is integrated with the financial risk management of the consolidated financial statements of Pearson plc (the "group") and is not managed separately. Accordingly, the financial risk management of Pearson plc, which includes that of the company, is discussed in the group's annual report which does not form part of this report.

Donations
There were no political donations made during the year (2015: £nil).

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ((United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors Report is approved, the following applies :

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

R T Stockwell
Director

31 August 2017

Company registered number :
07967446

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON COLLEGE LIMITED

Report on the financial statements

Our opinion
In our opinion, Pearson College Limited's financial statements (the "financial statements"):
• give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:
• the Balance sheet as at 31 December 2016;
• the Profit and loss account and the Statement of comprehensive income for the year then ended;
• the Statement of changes in equity for the year then ended; and
• the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identifed any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:
• we have not received all the information and explanations we require for our audit; or
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns.
We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions
Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARSON COLLEGE LIMITED (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

• whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
• the reasonableness of significant accounting estimates made by the directors; and
• the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.

Stuart Macdougall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 August 2017

Pearson College Limited

PROFIT AND LOSS ACCOUNT
For the year ended :
31 December 2016

Continuing operations	Note	**2016** £'000	2015 £'000
Turnover	3	**1,438**	998
Cost of sales		**(644)**	(543)
Gross profit		**794**	455
Administrative expenses		**(8,952)**	(5,492)
Loss before taxation	4	**(8,158)**	(5,037)
Tax on loss	7	**1,525**	852
Loss for the financial year		**(6,633)**	(4,185)

Pearson College Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended :
31 December 2016

	2016	2015
	£'000	£'000
Loss for the financial year	(6,633)	(4,185)
Total comprehensive expense for the year	(6,633)	(4,185)

Pearson College Limited

BALANCE SHEET
As at:
31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	8	**1,231**	1,131
Tangible assets	9	**2,889**	45
Investments	10	**0**	609
		4,120	1,785
Current assets			
Debtors	11	**2,826**	3,870
Cash at bank and in hand		**187**	0
		3,013	3,870
Creditors: amounts falling due within one year	12	**(29,969)**	(21,858)
Net current liabilities		**(26,956)**	(17,988)
Net liabilities		**(22,836)**	(16,203)
Capital and reserves			
Called up share capital	14	**1**	1
Profit and loss account		**(22,837)**	(16,204)
Total shareholders' deficit		**(22,836)**	(16,203)

For the year ended 31 December 2016 :
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the financial statements.

The financial statements on pages 6 to 32 were approved by the board of directors and authorised for issue on 31 August 2017. They were signed on its behalf by :

R T Stockwell
Director

Pearson College Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended :
31 December 2016

	Called up share capital	Profit and loss account	Total shareholders' deficit
	£'000	£'000	£'000
At 1 January 2015	1	(12,019)	**(12,018)**
Loss for the financial year	0	(4,185)	**(4,185)**
Total comprehensive expense for the year	0	(4,185)	**(4,185)**
At 31 December 2015 and 1 January 2016	1	(16,204)	**(16,203)**
Loss for the financial year	0	(6,633)	**(6,633)**
Total comprehensive expense for the year	0	(6,633)	**(6,633)**
At 31 December 2016	**1**	**(22,837)**	**(22,836)**

1
Accounting policies
The principal accounting policies are set out below. These policies and measurement bases have been consistently applied to all the years presented.

Basis of preparation
Pearson College Limited (the 'company') is a private limited company, limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL. The nature of the company's principal activities are the education and training for the benefit of the public in the United Kingdom.

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. For areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, see note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101. Where required, equivalent disclosures are given in the group financial statements of Pearson plc:

a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible Assets;
b) the requirements of paragraphs 10(d), 16, 38(a) and 111 of IAS 1 Presentation of Financial Statements;
c) the requirements of IAS 7 Statement of Cash Flows;
d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Consolidation
The company is a wholly owned subsidiary of Longman Group (Overseas Holdings) Limited and is included in the consolidated financial statements of Pearson plc which are publically available. Consequently the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Pearson plc. The directors have received confirmation that Pearson plc intends to support the company for the foreseeable future after these financial statements are signed. The company is forecasted to be profitable in the medium term.

1
Accounting policies (continued)

Foreign currency translation
The financial statements are presented in pounds sterling (£'000) which is also the company's functional currency.

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Revenue recognition
Revenue represents the invoiced value of services supplied, net of discounts, from the development and administration of qualifications in business and enterprise. Revenue is recognised over the period the qualification is delivered by applying the stage of completion basis. Revenue that is recognised ahead of billings is shown as accrued income in the balance sheet. Revenue that is recognised as relating to future accounting periods is shown as deferred revenue in the balance sheet.

Current and deferred income tax
Current tax is recognised at the amounts expected to be paid or recovered based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of tax assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets
Software - Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development. Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of 5 years.

Product development costs that are the direct costs incurred in the development of educational programmes prior to their use. Product development costs are regarded as an internally generated current intangible asset and as such are be capitalised and recognised as an asset when it is probable that future economic benefits that are attributable to the asset will flow to the operating company and the cost of the asset can be measured reliably. Product development costs, once in use, are amortised on a straight line basis over their useful life of 5 years.

1
Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Fixtures and fittings - 3 to 5 years
Leasehold buildings - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than

Impairment of non-financial assets
An impairment loss is recognised to the extent that the carrying value of assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provisions for bad and doubtful debts and anticipated future sales returns.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less. Overdrafts are included in borrowings in current liabilities in the balance sheet.

Creditors
Creditors are recognised initially at fair value and subsequently measured at amortised cost.

Pensions
The company participates in the Pearson Group Pension Scheme. This is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities.

The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 Employee Benefits (2011), the company recognises a cost equal to its contribution payable for the period. The sponsoring entity to this scheme is Pearson Services Limited.

Share capital
Ordinary shares are classified as equity.

2
Critical accounting judgements and key sources of estimation uncertainty
In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies
The critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements are:

Impairment of intangible assets
The company makes a judgement on the recoverable value of its intangible assets. When assessing impairment of the assets, management considers factors including the historic performance, approved budgets and future cash flow projections as well as any operational aspects affecting the recoverable value.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are :

Impairment of investments in subsidiary undertakings

The company makes an estimate of the recoverable value of its investment in Escape Studios Limited. When assessing impairment of the investment, management considers factors including the historic performance, approved budgets and future cash flow projections as well as any operational aspects affecting the recoverable value. See Investments - subsidiary undertakings note for the net carrying amount of the investment and associated impairment provision.

Useful economic life
The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives based on the future economic benefit of the asset. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and other sales factors. See intangible assets note for the carrying amount and for the useful economic lives for each class of assets.

3
Turnover

	2016	2015
Continuing operations	£'000	£'000
Provision of services	1,438	998

Turnover by class of business is as follows:	2016	2015
	£'000	£'000
Educational Services	1,438	998

The principal activity of the company continues to be that of integrated educational services. The directors view this as one class of business .

Turnover by geographical market is as follows:	2016	2015
	£'000	£'000
United Kingdom	1,438	998

4
Loss before taxation

Operating loss is stated after charging/(crediting):		**2016**	2015
	Note	**£'000**	£'000
Staff costs	5	**3,162**	2,567
Depreciation of tangible fixed assets:			
- owned		**181**	0
Audit fees payable to the company's auditors			
- Fees payable for the audit		**0**	0
- Prior year audit fee over accrued		**0**	(25)
Impairment of fixed asset investments		**609**	793
Amortisation of intangible product development included in other operating expenses:			
- internally generated		**420**	33
Property rental costs		**1,335**	76

Fees paid to the company's auditors, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the company are not disclosed in the company's financial statements since the consolidated financial statements of the company's ultimate parent company, Pearson plc, are required to disclose non-audit fees on a consolidated basis.

Auditors' remuneration has been borne by a fellow group undertaking in the current and preceding period.

Included within Property rental costs is a charge of £1.1m (2015: £Nil) from a fellow group undertaking in respect of rent charged following a move in business premises during the year. Future rent obligations of £1.5m per annum are to be met by the company under this new lease arrangement with Pearson Education Limited.

5
Staff costs

	2016	2015
Staff costs	**£'000**	£'000
Wages and salaries	**2,645**	2,064
Social security costs	**279**	231
Other pension costs	**238**	272
	3,162	2,567

	2016	2015
Average monthly number of persons employed by the company during the year	**Number**	Number
Production	**4**	5
Selling and distribution	**23**	14
Administration	**12**	13
	39	32

6
Directors' remuneration

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to their employing company. Accordingly, the financial statements include no emoluments in respect of the directors.

7
Tax on loss

	Note	2016 £'000	2015 £'000
Current tax			
UK corporation tax on losses for the year		**1,588**	803
Adjustments in respect of prior years		**12**	31
Total current tax		**1,600**	834
Deferred tax			
Origination and reversal of temporary differences		**(74)**	(11)
Adjustments in respect of prior years		**(1)**	29
Total deferred tax	13	**(75)**	18
Total tax on loss		**1,525**	852
UK standard effective rate of corporation tax (%)		**20**	20.25

The credit for the year can be reconciled to the loss for the financial year in the profit and loss account as follows:

	2016 £'000	2015 £'000
Loss before tax	**8,158**	**5,037**
Tax on loss at standard UK corporation tax rate of 20.00% (2015: 20.25%)	1,632	1,020
Effects of:		
Expenses not deductible for tax purposes	**(1)**	65
Adjustments in respect of prior years	**11**	60
Change in tax laws and rates	**0**	(3)
Impairment of investment	**(122)**	(290)
Accelerated capital allowances	**79**	0
Origination and reversal of temporary differences	**(74)**	0
Total tax credit for the year	**1,525**	852

The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this financial year have been taxed at an effective rate of 20.00% (2015: 20.25%). Any deferred tax expected to reverse in the year to 31 December 2017 has been re-measured using the rates substantively enacted at 31 December 2016.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and substantively enacted on 6 September 2016. This change is to reduce the main rate of UK corporation tax to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 had already been substantively enacted in the period. Any deferred tax balances that are expected to reverse after 1 April 2010 should therefore be measured at 17%, however the overall effect would be negligible.

8
Intangible assets

	Product Development	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	1,245	128	1,373
Additions - internal development	443	0	443
Additions - purchased	0	117	117
Transfers	(79)	0	(79)
At 31 December 2016	**1,609**	**245**	**1,854**
Accumulated Amortisation			
At 1 January 2016	242	0	242
Charge for the year	420	40	460
Transfers	(79)	0	(79)
At 31 December 2016	**583**	**40**	**623**
Net book value			
At 31 December 2015	1,003	128	1,131
At 31 December 2016	**1,026**	**205**	**1,231**

Product Development

Costs relating to the development of course material and content. The useful economic life is estimated as 5 years. The remaining useful life of these assets is between 2 and 5 years. Product development includes costs of £948,000 (2015: £808,000) relating to assets under construction, of which £168,000 was fully impaired during the year as there are no plans to further develop and create those courses for the forseeable future.

Software

Software relates to a student information package to aid student registration, invoicing and interfacing. The useful economic life is estimated as 5 years. The remaining useful life of these assets is 4 years.

9
Tangible assets

	Leasehold Property	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2016	0	45	45
Additions	1,853	1,172	3,025
At 31 December 2016	**1,853**	**1,217**	**3,070**
Accumulated Depreciation			
At 1 January 2016	0	0	0
Charge for the year	98	83	181
At 31 December 2016	**98**	**83**	**181**
Net book value			
At 31 December 2015	0	45	45
At 31 December 2016	**1,755**	**1,134**	**2,889**

10
Investments

	2016	2015
	£'000	£'000
Subsidiary undertakings	0	609

10a
Investments - subsidiary undertakings

	£'000
Cost	
At 1 January 2016	4,636
At 31 December 2016	**4,636**
Provision	
At 1 January 2016	4,027
Impairment	609
At 31 December 2016	**4,636**
Net book value	
At 31 December 2015	609
At 31 December 2016	**0**

Details of subsidiary undertakings:

			2016	2015
Subsidiary	**Class of shares held**	**Place of incorporation**	**Direct % held**	Direct % held
Escape Studios Limited *	Ordinary	England and Wales	**100%**	100%

* Registered office: 80 Strand, London, WC2R 0RL

Investments in subsidiaries are stated at cost less provision for impairment. On 1 June 2017 all trading activity and net liabilities of Escape Studios Limited were transferred and merged with the business operations of the company. Further details of this transaction are included within note 17.

The directors believe that the carrying value of the investment should be fully impaired as at 31 December 2016 based on a review of the net liabilities and future projected trading losses of the subsidiary as at the same date.

11
Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**42**	1,218
Amounts owed by group undertakings	**93**	2,157
Deferred taxation	**0**	32
Corporation tax	**1,588**	0
Other debtors	**0**	11
Prepayments and accrued income	**1,103**	452
Total debtors	**2,826**	3,870

Amounts owed by group undertakings are unsecured, interest free and payable on demand.

12
Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Bank loans and overdrafts	**0**	16,505
Trade creditors	**481**	73
Amounts owed to group undertakings	**28,733**	4,678
Other creditors	**575**	0
Accruals and deferred income	**137**	602
Deferred tax	**43**	0
	29,969	21,858

During the year the company's bank debt was transferred to its parent company and replaced with an interest free intercompany loan facility. All amounts owed to group undertakings are unsecured, interest free and payable on demand.

13
Deferred taxation

Asset/(liability)	Note	Timing Differences £'000	Total £'000
At 1 January 2015		**14**	14
Credit to profit and loss		**18**	18
At 31 December 2015 and 1 January 2016		**32**	32
Charge to profit and loss	7	**(75)**	(75)
At 31 December 2016		**(43)**	(43)

The deferred tax liability is a result of accelerated capital allowances and timing differences, which are expected to be recovered in the future.

14
Called up share capital

	2016	2015
	£'000	£'000
Total share capital	**1**	1

	2016	2015	2016	2015
Ordinary shares £1 each	**No '000s**	No '000s	**£'000**	£'000
Allotted, called up and fully paid	**1**	1	**1**	1

15
Retirement benefit schemes

The company participates in the Pearson Group Pension Scheme. This is a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities.

The company is unable to identify its share of the underlying assets and liabilities of the Pearson Group Pension Scheme owing to information regarding non-active members and changes to the group structure including acquisitions and disposals. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the company recognises a cost equal to its contribution payable for the year, which in the year ended 31 December 2016 was £238,000 (2015: £272,000). The sponsoring entity to this scheme is Pearson Services Limited and further details are disclosed in the financial statements of that company which are available from the Company Secretary, 80 Strand, London WC2R 0RL.

16
Contingent liabilities

Bank guarantees

The company participates in an arrangement with HSBC Bank plc whereby the financial statements of Pearson plc and 26 of its subsidiaries, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. Under this arrangement, the net cash position at 31 December 2016 was £29,979,622 (2015: net cash position £2,700,950). The maximum amount of this guarantee is limited to a net overdraft of £50,000,000.

17
Post balance sheet events

On 1 June 2017 the assets and liabilities, including the post graduate activities of Escape Studios Limited, a 100% owned subsidiary of the company, were transfered to the company with a view to further integrate and spearhead the company's online delivery capability.

18
Related party transactions
The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

19
Ultimate parent undertaking

The immediate parent undertaking is Longman Group (Overseas Holdings) Limited.

The ultimate parent undertaking and controlling party is Pearson plc, incorporated in the UK, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Pearson plc's consolidated financial statements can be obtained from the Company Secretary at Pearson plc, 80 Strand, London WC2R 0RL.

Pearson College Limited

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended :
31 December 2016

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Cash Flow Statement

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Net cash generated from operations		
Loss for the financial year	**(6,633)**	(4,185)
Depreciation	**181**	0
Amortisation of intangible assets	**460**	33
Impairment of intangible assets	**0**	0
Impairment of subsidiary undertaking	**609**	793
Decrease/(increase) in debtors	**1,044**	(2,523)
Increase/(decrease) in creditors	**24,616**	(2,859)
Net cash generated from/(used in) operating activities	**20,277**	(8,741)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,025)**	(45)
Purchase of intangible assets	**(560)**	(674)
Net cash used in investing activities	**(3,585)**	(719)
Net increase/(decrease) in cash and cash equivalents	**16,692**	(9,460)
Cash and cash equivalents at beginning of year	**(16,505)**	(7,045)
Cash and cash equivalents at end of year	**187**	(16,505)